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**Rural Prosperity and
Conservation Initiative
(IPRC)**

ANNUAL REPORT 2005
*(Covering the period 1st October 2004
to 30th September 2005)*

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ACRONYMS

CI	Conservation International
CECADESU	Center for Education & Training for Sustainable Development (Spanish acronym)
CEPCO	State Coordinator for Oaxaca Coffee Producers (Spanish acronym)
CONAFOR	National Forestry Commission (Spanish acronym)
CONANP	National Commission for Protected Areas (Spanish acronym)
COP	Chief of Party
COTAS	Groundwater Technical Committee (Spanish acronym)
CTO	Cognizant Technical Officer
FIRCO	Trust Fund for Risk Sharing (Spanish acronym)
GOM	Government of Mexico
IPRC	Rural Prosperity and Conservation Initiative (Spanish acronym)
M&E	Monitoring & Evaluation
MOU	Memorandum of Understanding
NGO	Non Governmental Organization
OEC	Campesino Economic Organization (Spanish acronym)
PMA	Environmental Management Program of USAID in Mexico (Spanish acronym)
PMP	Performance Monitoring Plan
PMU	Project Management Unit
PROFEPA	Federal Environmental Protection Agency (Spanish acronym)
PSA	Payment for Environmental Services (Spanish acronym)
RA	Rainforest Alliance
R&D	Research & Development
SAGARPA	Agricultural and Livestock Secretariat (Spanish acronym)
SCAA	Specialty Coffee Association of America
SEDER	Secretariat for Rural Development (Spanish acronym)
SEMARNAT	Secretariat for Natural Resources and the Environment (Spanish acronym)
TA	Technical Assistance
TNC	The Nature Conservancy
TOR	Terms of Reference
USAID	United States Agency for International Development
WP	Work Plan
WWF	World Wildlife Fund

EXECUTIVE SUMMARY

This document provides a concise overview of the performance of the Rural Prosperity and Conservation Initiative (referred to as the **IPRC** by its Spanish acronym) in its first year of operation that covers the period 1st October 2004 to 30th September 2005. The report documents the resources invested and progress made to establish the IPRC as a valuable new component of the USAID Environmental Management Program (known by its Spanish acronym as the **PMA**) in Mexico.

For ease of presentation the report is divided into two main sections. The first provides a first-year snapshot of the IPRC for the reader who requires a quick, yet comprehensive overview, while the second presents a more detailed discussion of each of the five tasks (as they appear in the Task Order between USAID and Chemonics International) plus the administration and finance functions. An additional table provides a synthesis of the IPRC highlights, accompanied by a short description of each main task or area to explain its relevance to the successful implementation of the IPRC.

Despite the challenges of initiating a new project in some difficult areas, the IPRC has achieved important milestones in its first year which has permitted it to: (i) better understand and communicate its program, (ii) establish a solid platform of people, knowledge, contacts, credibility and relationships, which is paramount to successfully operating in Mexico, and (iii) complete a set of initial activities that have generated tangible results while at the same time as enhancing its early credibility with a broad group of stakeholders, particularly a somewhat skeptical group of non-governmental organizations (NGOs) that make up the PMA.

A hectic, yet successful start-up period - that included the creation of an entirely new Mexican legal implementation entity (an “Asociación Civil”), the setting-up of offices, the recruitment and fielding of key staff, the purchase of equipment, the definition of the first-year work plan and intervention strategies, among other things - has provided the IPRC with both a strong logistical platform and a growing awareness of the challenges and opportunities in the areas where it is working. From its main base in Oaxaca to its Mexico city office and beyond, the IPRC has begun to implement a series of activities with both new and existing partners, which are not only valuable in themselves, but have also provided important opportunities to learn through doing and develop a stronger vision of the IPRC. Some examples of achievements to date include:

- Close collaboration and support to AID’s Environment Team (PMA) in the establishment of 3 Government of Mexico (GOM) working groups in the areas of forestry, national protected areas and the environment – *these constitute the first tangible expressions of the Memorandum of Understanding (MOU) signed between USAID and SEMARNAT in November 2004. These groups have now established policy and project priorities to guide USAID support to SEMARNAT. They have also begun to facilitate vertical communication within the SEMARNAT agencies, i.e., from central offices to field operations and vice-versa.*
- The completion of key activities which have established the basis for the future implementation of high-impact projects, and which have helped establish IPRC credibility with PMA partners and beyond. More specifically these include:
 - An investigation of the ecotourism potential in IPRC target areas and the IPRC regional ecotourism conference - *this has resulted in commitments from both private and public sector players to join the IPRC in the creation of a regional reservations and*

information center to support tourism operators along the “Ruta Selva” of the Lacandona Rainforest increasing the number of visitors to the region..

- *An in-depth analysis of the cacao sector (centered in Chiapas and Tabasco) – this important study has identified opportunities for strategic alliances between cacao producers and specialty cacao buyers that will generate higher incomes and create more jobs in the producing areas. IPRC representatives made important contacts with buyers at the annual World Cocoa Foundation meeting in Washington DC at the end of the year.*
 - *Analysis and evaluation of specialty coffee programs underway in Chiapas and Oaxaca – this has resulted in the IPRC coffee sector strategy that focuses on quality improvement, product differentiation, and niche marketing as the most effective way to increase jobs and incomes in coffee producing areas. The first steps are underway to create a private sector technical assistance center to support the implementation of this strategy. In parallel,, the IPRC has worked to enhance the exposure of Mexican coffee stakeholders to the realities of the international specialty coffee through their participation in events such as Ramacafé, which took place in Nicaragua in September 2005.*
- The implementation of activities which are already producing immediate impact. Some examples include:
- *A program of workshops and field exercises to strengthen the organizational and business structure of the Groundwater Technical Committee (COTAS) in the Oaxacan Central Valleys - this training program is designed to strengthen the institutional capacity to identify and define income-generating services for its members that will allow COTAS to become more self-sufficient and viable. These efforts build on previous USAID funding of more efficient irrigation systems and will ensure that investments in new technology not only protect scarce water resources but also translate into higher producer income.*
 - *Participation of IPRC advisors in the delivery of professional development diploma courses organized and delivered by SEMARNAT (CECADESU, the training arm of CONANP) and SAGARPA (FIRCO). The CECADESU course provides training in the management of tourism activities in the National Protected Areas (ANP) while the FIRCO course trains technical staff involved in the design and implementation of micro-watershed management programs - these programs provide important opportunities to add value to ongoing Mexican national programs by strengthening human capital, as well as identifying future field-level areas of collaboration with the IPRC.*
 - *IPRC support and participation in CECADESU’s training for twenty-five operators of community-owned and operated tourism centers in Oaxaca - this classroom plus field support program is strengthening the business, operations and marketing of these facilities, thus improving services and attracting more tourists that will increase jobs and income in the operating communities.*

The work in the first year has undoubtedly been strengthened by a close and professional relationship with the PMA CTO and his staff of advisors in Mexico, as well as a high level of commitment and professional support from the PMU in Washington DC.

The year has not been without its difficulties – fortunately minor and for the most part easy to overcome – which have been dealt with maturely and in a highly consultative way. At the operational level, and with the experience of the early months, the staff has become accustomed to the USAID regulatory context and is learning to build adequate time into its day-to-day operations to ensure that terms of reference are adequately developed and work is planned with sufficient anticipation to guarantee that implementation can occur in a timely fashion.

As regards strategic implementation, the IPRC has developed a growing capacity to both work effectively with PMA partners to add value to their existing programs, at the same time as identifying new initiatives for the PMA to impact conservation and rural livelihoods. These new initiatives are heavily focused on the introduction of sound business practices that stimulate sensible resource use via the generation of higher levels of income. In this context, the completion of the necessary steps to be the operation of the Rural Prosperity Fund - a US\$ 1 million grants mechanism for financing promising initiatives in the areas in which the IPRC is operating – will be critical to enhancing the impact of the IPRC as it moves into its second year of operation.

In summary, the first year has been a challenging one that has provided a solid platform upon which to build this important new initiative – the IPRC - that is adding genuine value to the existing activities of the PMA as well as opening up new opportunities to positively impact rural prosperity and promote sound environmental stewardship and conservation. This all bodes well for an exciting 2006.

SECTION I

Overview

This report covers the period 1st October 2004 to 30th September 2005 – the first year in which the IPRC has been operational - although reference is also made to ongoing activities or work that will begin before the end of this calendar year. An effort has been made to be as synthetic as possible and to present themes in a way that can be easily understood by a wide audience.

The report demonstrates the effort and resources that have been invested in effectively establishing the IPRC as a valuable new component of the PMA in Mexico, during the first year of operation. Despite the challenges of initiating a new project in some difficult sites (Montes Azules, Chimalapas and the Monarch Butterfly Reserve in Michoacán, are acknowledged to be among the five most socially and politically complex areas in Mexico) the IPRC has worked diligently to:

- (i) BETTER UNDERSTAND AND COMMUNICATE its program.
- (ii) ESTABLISH A SOLID PLATFORM of people, knowledge, contacts, credibility and relationships. The latter are the key to success in Mexico and these are only built over time.
- (iii) Complete INITIAL ACTIVITIES that have generated TANGIBLE RESULTS and enhanced the early CREDIBILITY of the IPRC with its stakeholders.

The IPRC is confident that this provides a solid foundation for the achievement of key PMA indicators, particularly new areas under sustainable management (SO) and the generation of economic returns to improved practices (IR 2.1), as the activities are carried forward in the coming year.

The highlights from the first year are included in Table 1 and discussed in more detail in Section II, however some illustrative examples of results include:

- The development and approval of the Rural Prosperity Fund and the hiring of a Grants Manager/Financial Analyst to begin the co-financing of promising initiatives - *around 10 potential projects have currently been identified and two grants were announced by the US Ambassador in a highly publicized event in Oaxaca on the 16th June 2005.*
- The identification and endorsement of priority areas and associated projects by GOM working groups established by the IPRC in the areas of forestry, the environment, and protected areas – *these represent the first concrete initiatives under the Memorandum of Understanding (MOU) signed between USAID and the Environment Secretariat, SEMARNAT on the 9th November 2004.*
- The participation of IPRC in the international coffee events of the American Specialty Coffee Association (SCAA) in Seattle in April 2005, and at Ramacafé in Nicaragua in September 2005 – *the latter meeting in particular, which involved the participation of eight representatives from different parts of the coffee value chain in Chiapas and Oaxaca, increased stakeholder exposure to the opportunities and expectations of international specialty coffee markets. In turn, this will permit the IPRC to move forward with confidence on activities linked to the 2005/2006 coffee harvest.*
- The opening up of forestry and agricultural opportunities in Chimalapas – *given the complexity of the local context it was originally intended to start out gently with some low-key exploratory work. However, taking full advantage of the opportunity presented via the Regional Master Plan, the IPRC has commenced field-level activities and, even as this*

report is being written, an experienced consultant has begun to identify promising products for commercial development in the afore mentioned sectors.

- The agreement with COTAS, the Groundwater Technical Committee operating in the Central Valleys of Oaxaca, to strengthen its organizational and business capacity – *technical training is underway, the terms of reference for a marketing study have been developed and a grant award is being processed.*
- The development and teaching of professional development modules within the FIRCO (the Mexican Trust Fund for Risk Sharing) watershed management training program – *these two diploma programs alone graduated 52 watershed technicians and generated 26 projects.*
- Expansion of training activities in tourism - *Participation in a training program for 25 community-owned tourism projects in Oaxaca.*

The IPRC approach has reflected a flexible response that has permitted it to both work with existing partners where deemed opportune by all parties [an obvious example is with Conservation International (CI) and The Nature Conservancy (TNC) in livestock systems in Chiapas], while at the same time identifying and developing new initiatives in other areas and with new partners (for example in the areas of specialty coffee, cacao and ecotourism). This will continue to be the order of the day as the IPRC moves into its second year.

The rapid start-up, although hectic, paid dividends and the IPRC was able to open its doors and quickly begin to establish professional relations with a diverse stakeholder base. In the first few months incoming team members quickly established operations in the newly opened Oaxaca City office and were quickly mobilized to Chimalapas, Michoacán, Chiapas and Mexico City to meet with partners, subcontractors and other potential stakeholders. This was important for two reasons: to quickly ensure a better understanding of the nature of the IPRC by key stakeholders and to rapidly build-up first-hand knowledge of the areas where the IPRC was to initiate activities.

This same participatory focus brought together the IPRC and USAID PMA teams in a two-day workshop between the 18th & 19th November 2004 to iron-out the details of the first year work plan. Although the planning process was accelerated and over-ambitious, the resulting plan was a very solid, first-attempt to structure the work, focusing attention on certain key areas, while at the same time allowing the team to work with USAID to build a common vision of the IPRC. This process has continued to evolve over the course of the year (the USAID/IPRC teams met again between 29th & 31st March 2005) and has led to a clearer idea of the logic of the initiative and how the individual tasks (see adjacent box for details as cited in the Task Order) relate to each other. This new logical framework is presented in the introduction to the second year work plan. A constructive and fluid interaction between the IPRC and USAID teams has continued to define the client-contractor relationship as the year has progressed.

THE IPRC TASK STRUCTURE

Task 1 Improvement of the national context for enhancing environmental protection and conservation

Task 2 Identification of best practices for conservation & economic development

Task 3 Strengthening community based natural resources & watershed management

Task 4 Expanding cooperation with the Government of Mexico to foster sustainable rural prosperity

Task 5 Includes a number of cross-cutting themes: training, environmental impact evaluation, communications and the inclusion of gender, youth and broad inclusion policies.

Looking back on the first year, and leaving aside a large amount of important and time-consuming activities that laid the strategic, technical and operational groundwork, certain things stand out. Within **Task 1**, IPRC has worked closely the USAID Environment Team on its initiative with SEMARNAT and, in particular three of its key dependencies (the Commission for Protected Areas,

CONANP, the Forestry Commission, CONAFOR, and the Federal Environmental Protection Agency, PROFEPA), to begin the practical implementation of the MOU. Under the leadership of the AID's Environment Program advisor and IPRC Policy Advisor, three working groups have been formed, agendas defined, and work plans are underway. This has ensured that the MOU has become more than just a formal expression of goodwill between two neighboring countries, and has more effectively positioned USAID as a valued partner for the Mexican Government through its strategic funding and provision of highly-qualified technical assistance (TA.)

In this context, the IPRC has defined a program of strategic studies (for example, in the areas of Payment for Environmental Services, PSA; and the development of productive projects in strategic conservation areas), supported by training activities (for example, working with the CONANP training circuit in Ecotourism.) Independently of their thematic focus, all these activities are designed to link macro-level decision making processes to field-level realities in order to improve both the relevance and applicability of national and sector policy. This requires solid interaction across the IPRC, and this is perhaps best illustrated at present in the area of ecotourism, where complementary initiatives are being undertaken within each task area: national-level training with CONANP (Task 1 & Task 5), regional planning in the Monarch Butterfly Reserve (Task 3), and direct, site-specific support to tourism operators and communities in Chiapas (Task 2.) This type of integration will be expanded in Year 2.

The development of a strong professional understanding between the leaders of **Tasks 2 & 3** guaranteed that the initial process of building understanding and developing working relationships with a variety of stakeholders (national and local government agencies, municipalities, producer associations, and national and international NGOs, among others) has been cemented through a wide range of activities. This includes, for example, working with community forest enterprises and women's groups in Chimalapas; community and small tourism operators in the Lacandona; and coffee, cacao, livestock and horticultural producers in Oaxaca and Chiapas. This work has incorporated two important methodological approaches – (i) participatory planning and (ii) value chain analysis – frequently mentioned in the Mexican context but rarely applied systematically.

It is important to mention here that the variety of stakeholders and the social and institutional complexity of many of the regions in question have required flexibility and sensitivity in the management approach. Particularly noteworthy has been the work with COTAS that has required two parallel changes, both involving a significant degree of complexity: (i) the transfer of responsibility from one USAID contractor (PA consulting) to the IPRC, and (ii) a changing role for COTAS towards a broader training and technical assistance role, incorporating a market/business focus to enhance income generation, while continuing its awareness raising activities regarding efficient groundwater use and aquifer protection (incorporating both demand & supply side issues.)

At the same time, the development of these strategic alliances permits the IPRC to both add value (often, but not exclusively, to the ongoing work of other PMA partners), as well as leveraging additional resources, which is critical to broadening the impact of the IPRC. This is well demonstrated in the Monarch Butterfly Reserve in Michoacán, where the IPRC is joining forces with a wide-variety of stakeholders that includes national and state-level entities, non-governmental organizations (NGOs such as WWF), and the private sector (Telcel and Daimler-Chrysler, Mexico) to draw up a Tourism Master Plan that is designed to be the precursor for a tourism cluster in this high-profile and important conservation area of Mexico.

The work of **Task 4** is something of a hybrid that attempts to capture and disseminate best practice (e.g., the FIRCO watershed management model), elevate the level of critical dialogue in key themes (e.g., providing resources to a conference on the influence of the Mexican supermarket sector on

small agricultural producers), strengthen institutional relationships with other government entities, such as SAGARPA (taking into account the critical importance of agricultural production, livestock, water and watershed management, which fall outside the responsibility of SEMARNAT), and support the co-financing of promising initiatives through the a grants mechanism known as the Rural Prosperity Fund(first grants to be made in early 2006).

Significant effort has been spent toward establishing this Fund, which is important to guaranteeing impact, and which has resulted in: (i) the signing of the Grants Under Contract Authority memorandum dated 29th April 2005. (ii) the development and approval of a grants manual to guide the management of the Fund (a US\$ 1 million grants mechanism to be managed by the IPRC to co-fund small-scale projects of between the peso equivalent of US\$ 5,000 and 25,000) signed on 3rd August 2005; (iii) the hiring of a well-qualified Grants Manager/Financial Analyst to administer the Fund; and (iv) the identification of an initial group of promising pipe-line projects for consideration by the Grants Technical Review Committee (comprising two representatives from both the IPRC and USAID).

These key operational tasks have been underpinned by a number of crosscutting themes (the responsibility of **Task 5**) such as gender, the environment, communication and monitoring and evaluation, and supported by a series **administration and finance functions**. In both these areas, the focus has been solidly on getting the basics in place, whether this is a first year work plan, a communications or gender strategy, the basis for a management information and reporting system, or ensuring that financial and accounting systems are operational. With regard to administration and finance, perhaps the biggest challenge has been to navigate what can sometimes appear to be a sea of complex rules and regulations, ensuring both compliance with USAID regulations and agility/flexibility in operational response. While sometimes frustrating, this has largely been achieved with the valuable assistance and active involvement of the Project Management Unit (PMU) in Washington DC.

As the IPRC moves into its second year of operation, the contractor will continue to capitalize on lessons-learned, and improve its operational response, while maintaining a results-orientated focus built around a growing set of concrete interventions.

TABLE 1. IPRC highlights in year 1

TASK/ AREA	SUMMARY	DELIVERABLES	RESULTS	HIGHLIGHTS
Task 1	Working at the national (or sector) policy level is viewed as a critical opportunity to focus on important issues, address key bottlenecks, and take advantage of emerging opportunities to generate macro-level benefits. IPRC provides a pragmatic mechanism to link higher-level dialogue (principally via the MOU with SEMARNAT) with field-level realities (largely from activities generated under Tasks 2 & 3.)	<p>MOU between USAID and SEMARNAT in operation. Two groups working and with their plans in implementation. Within the work plans it is foreseen to realize the following:</p> <ul style="list-style-type: none"> • Two studies of policies regarding Tasks 2 and 3 • Three executive documents presented and included in the dialogue process with the Work groups 	<p>The Conanp and Profepa Work Groups are formed and functioning.</p> <p>Three Work Plans have been completed. Conanp and Profepa plans have been approved. The Conafor plan is scheduled for review 1/12/06.</p> <p>An assessment of “de facto” tourism policy and a plan for drawing up a formal policy for sustainable tourism in the ANPs was completed by an international recognized ecotourism expert.</p> <p>Conanp has requested IPRC support in the implementation of the expert’s plan and the Terms of Reference (TdR) of a consultancy for the Formulation of Policy for the Regulation of Sustainable Tourism in the ANPs have been drafted and are being reviewed by Conanp officials responsible for tourism.</p> <p>After considering several alternatives, Conafor identified the need for the analysis of Environmental Service Payments in the Rio Conchos watershed of Chihuahua. TdR are being prepared for presentation and</p>	<ul style="list-style-type: none"> ▪ Policy initiatives such as the MOU between USAID & SEMARNAT can easily become abstract if not grounded in solid structures. Thus, a major achievement for the IPRC in this first year has been its collaboration with the USAID Environment Team to negotiate and establish 3 work groups with CONANP, CONAFOR & PROFEPA, which are in the process of signing off on OPERATIONAL GUIDELINES (CONANP) or agreeing-upon and implementing WORK PLANS (CONANP & PROFEPA.) ▪ Political and economic realities dictate that the success of the USAID Environmental Program (PMA) in Mexico will be achieved more through STRATEGIC POSITIONING than the size of aid flows <i>per se</i>. In Year 1 significant progress has been achieved in demonstrating the “VALUE-ADDED” OF USAID SUPPORT TO SEMARNAT through targeted technical assistance to strengthen its capacity to identify key issues and to develop and implement policy in a more integrated way. Some examples include: <ul style="list-style-type: none"> ○ Human capital formation: via the participation in the design and implementation of field visits & training events in support of the Ecotourism Training Circuits (sub-contract to Lajapyme.) & providing training inputs to the CESADESU-SEMARNAT diploma in Ecotourism. ○ Policy guidance: Completion of an expert consultancy in ecotourism which set the direction for the development of a tourism strategy in the national

		<ul style="list-style-type: none"> One (1) seminar or conference organized to increase the knowledge and promote the critical debate between the people who make decisions. Three (3) events for professional development. 	<p>implementation in early 2006.</p> <p>Presentation of a seminar on Environmental Services Payments (ESPs) was considered and discarded in view of similar activities recently completed or underway. In place of this it was agreed to prepare for an effort to analyze the market for the purchase of environmental services and evaluate potential sales in 2006.</p> <p>IPRC advisors presented material in:</p> <ol style="list-style-type: none"> 1) the CECADESU ecotourism diploma course; 2) the Ecotourism Training Circuit Course 3) The Fifth Annual Community Ecotourism Conference (Encuentro) 	<p>protected areas and identified a series of private-sector collaborators with community tourism attractions, especially in the Lacandona.</p> <ul style="list-style-type: none"> o M&E of GOM systems: TOR developed for evaluation of the effectiveness of Sustainable Rural Development Councils in priority conservation regions.
Task 2	As anticipated in the 2005 Work Plan, this task could be considered the “motor” of the IPRC, generating a large proportion of its activities and constituting the commercial base of the Project. In conjunction with Task 3, it constitutes the key “selling point” of the IPRC to potential partners, as well as the area in which most tangible impacts can be generated and where the Project will be most visible.	<ul style="list-style-type: none"> Six (6) analyses of value chains coffee, livestock, cocoa (organic and common), tourism, non wood resources, vegetables; identifying the main links and players along each chain, identifying the critical points and opportunities for intervention, and the business plans related to each chain. 	<p>1. An exhaustive study of the cacao sector value chain was completed by the IPRC advisor and an international expert in cacao. This study pointed the way to opportunities which were further investigated by a second consultancy in November which focused on the collection of actual cacao samples from producer groups. Parallel to this continuing effort in the field, first steps were taken to assess demand for specialized, high quality cacao by AID CTO and Chemonics’ participation in the World Cocoa Foundation Meeting in Washington, D.C. (see next column) All these initiatives resulted in concrete expressions of interest from Corigins and Guittard Chocolate to buy from Mexican sources. During 2006 IPRC will assist groups to respond to these and other</p>	<ul style="list-style-type: none"> ▪ The forging of a strong working relationship with COTAS, a irrigation-users association in the Central Valleys of Oaxaca. Close collaboration with the National Water Commission(CNA) was indispensable to the success of this relationship. It will result in the signing of the FIRST IPRC SUB-CONTRACT for the provision of TA (the IPRC Agribusiness & Marketing Advisor has held two workshops with staff to develop a new market-orientated vision for COTAS in preparation for the sub-contract) and pave the way for a subsequent GRANT AGREEMENT early in 2006; this will strengthen its BUSINESS & OPERATIONAL SKILLS and facilitate GREATER OUTPUT and INCREASED PRODUCER INCOME. ▪ Identified constraints and opportunities facing the Mexican cacao sector. This will lead to the provision of technical assistance to high-potential small producers to improve harvest

		<ul style="list-style-type: none"> Two (2) profiles of production chains in the Lacandona region (livestock and non - wood forest resources). One (1) project with COTAS in the Oaxaca Central Valleys to develop a productive strategy in addition to its water strategy, and at the same time, strengthens its business capacity. 	<p>potential buyers.</p> <p>2. Tourism – An international expert in ecotourism (see Task 1) evaluated the value chain with emphasis on community operated attractions and private sector operators. Her keynote address highlighted a conference generating broad public and private sector attendance. Her investigation combined with the interviews and research of the value chain by the lead IPRC advisor has resulted in the identification of the need for a Ecotourism Reservation and Information Center in Chiapas. This will be implemented in 2006.</p> <p>3. Livestock – Rather than the Lacandona area, our initial investigation of livestock value chain was focused on the Pacific Coast, but was interrupted by Hurricane Stan. Prior to Stan the investigation had led to the identification of five groups of livestock producers prepared to participate in an improvement program. The TdR of a thorough study of the value chain on the Pacific Coast were completed and consultants were under review to carry out the work. This effort will be reassessed in the post-Stan environment in 2006.</p> <p>4. Jitomate - The value chain for this and other vegetables in Central Valley of Oaxaca was the focus of TdR prepared but not implemented due to internal struggles of COTAS. Attention was directed at restructuring the COTAS organization and providing production and marketing assistance to member organizations. At year end the IPRC consultant had successfully assisted in the reorganization and the</p>	<p>and post-harvest practices TO RAISE QUALITY AND FUTURE PRICE, as well as exploring new opportunities in the specialty cacao market (i.e. PROMOTING NEW COMMERCIAL AGREEMENTS) via the participation in the World Cacao Foundation meeting in Washington DC in October. IPRC will also continue to identify and develop other national and international private sector contacts (e.g. AMSA)</p> <ul style="list-style-type: none"> Worked with a range of players in the Specialty Coffee Sector in both Chiapas & Oaxaca, to ensure a thorough understanding of where targeted IPRC assistance will generate most VALUE ADDED in 2006 (linked to improving quality & revenue generation.) INCREASED STAKEHOLDER EXPOSURE TO INTERNATIONAL MARKETS and POTENTIAL BUYERS through the participation in the SCAA Conference in Seattle in April 2005, and the Ramacafé international coffee event in Nicaragua in September 2005. Also developed links with national organizations such as Majomut and CEPCO, the latter representing 37 PRODUCER ASSOCIATIONS and over 15,000 COFFEE PRODUCERS. Initiated activities with a broad group of communities and private sector tourism operators (e.g. Latitud 16 & Explora) in Chiapas (Lacandona) with a view to IMPROVING THE QUALITY OF TOURIST SERVICES (for example, establishing a Reservation & Information Centre) as well as building much needed HUMAN CAPITAL (trained people) to make earlier public investments in infrastructure more productive and profitable. IPRC has developed solid relationships with CI & TNC and their partners, who are working to promote alternative livestock systems in Chiapas to reduce the negative impact on fragile upper watersheds. IPRC will focus on teaching improved livestock management practices TO RAISE PRODUCTIVITY & INCOME, CONSISTENT WITH GOOD ENVIRONMENTAL STEWARDSHIP. Income will be further increased by connecting these same livestock producers to new more profitable markets, for example, niche markets in cheese.
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		<ul style="list-style-type: none"> • One (1) proposal to work with WWF and support the Master Plan in the Chimalapas in 2006 – 2008. • One (1) analysis of the tourism value chain in the influence zone of the Monarch Butterfly Biosphere Reserve. 	<p>identification of alternatives for financial sustainability which will be implemented in 2006.</p> <p>5. Productive Value Chains in Chimalapas – IPRC carried out an analysis of the value chains for forest products, livestock, and basic grains in the Chimalapas (Sta. Maria) region, identifying the most promising to be livestock. However, our assistance will initially be focused on supporting the development of a forest management plan to assist in the control of damaging and unregulated logging practices in the region. To gain credibility in the region we have also assisted, jointly with WWF and Conanp, several women’s groups with home garden development.</p> <p>Opportunities to enhance tourism visitations and generate income-producing activities in the Monarch Butterfly Biosphere Reserve were analyzed. The IPRC advisor assigned to the area made several visits to assess possibilities. This work was intensified during the consultancy of Megan Epler Wood who visited the area and made several recommendations. All this work led to the a request from the Presidente Municipal for a Tourism Master Plan for the Municipio of Anganeo, located in the center of the butterfly reserve. Preparatory work on this plan was begun. Simultaneously, the IPRC advisor organized a visit to the Totolapan community-operated tourism site. This visit gave the municipal authorities from Anganeo the opportunity to see a success</p>	<ul style="list-style-type: none"> ▪ Delivered a week-long seminar to seventy women in Chimalapas to launch a program of “backyard” agriculture, beginning with horticulture and adding tree crops and small livestock progressively. This will POSITIVELY IMPACT THE LIVELIHOOD STATUS OF MARGINAL FAMILIES, and also ESTABLISH THE CREDIBILITY OF USAID/IPRC in the region, paving the way for the leadership of the regional Forest Management Plan (see Task 3.)
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		<ul style="list-style-type: none"> One (1) analysis of the viability to promote the purchase of certified wood in Mexico. 	<p>story and get ideas of what is possible for their community.</p> <p>The IPRC forestry advisor collaborated actively with Rainforest Alliance advisors in analyzing the needs of the certified forest communities of Oaxaca. This collaboration led to agreement on a joint effort to improve both production and marketing capabilities of five communities in the Sierra Norte. IPRC and Rainforest contacts with the Forestry Division of the State (Oaxaca) Secretariat for Rural Development (SEDER) led to an agreement to convene meetings with private sector wood buyers to encourage adoption “Chain of Custody” practices in order to enhance the market for certified lumber.</p>	
Task 3	<p>This task provides the IPRC with the institutional “skeleton” upon which to hang many of the results generated in Task 2, to ensure that individual impacts are scaled-up (to a broader number of producers) and scaled-out (over a bigger geographic area), thus cementing the concept of “integrated conservation & management” in real terms.</p>	<ul style="list-style-type: none"> One (1) document comparing micro watershed management techniques and identifying and disseminating the successful models. Deliver the module on Design, Evaluation, Development and Integrated Management of Micro Watershed as part of FIRCO’s Diploma course in Micro watershed management. Four (4) modules of enterprise training to 	<p>Watersheds of the Pacific Coast of Chiapas were targeted for this activity which had been postponed until late in the year. Hurricane Stan hit in early October and this effort had to be suspended until 2006.</p> <p>Three IPRC advisors participated in the presentation of this Diploma Course, led by the IPRC Training expert. The same IPRC advisor was called on to fill-in as leader of the delivery of second module of the same course.</p> <p>The five certified forest communities of the Sierra Norte of Oaxaca agreed to participate</p>	<ul style="list-style-type: none"> Skillful insertion of the IPRC as a key player on the Planning Committee in a complex social and political environment in Chimalapas that will result in the implementation of the FIRST FOREST MANAGEMENT PLAN (as part of the REGIONAL DEVELOPMENT MASTER PLAN that brings together two municipal authorities and a broad multi-sector grouping of other stakeholders) by the end of 2006. Participation in the inter-institutional working group (that includes WWF, GOM entities & Telcel and Daimler-Chrysler, Mexico) working to develop a MASTER PLAN & subsequent TOURISM CLUSTER for the promotion of the “<i>País de la Monarca</i>” in Michoacán. Collaboration with Rainforest Alliance to establish a plan with a group of five community forestry enterprises in the Sierra Norte in Oaxaca to strengthen their BUSINESS CAPACITY and expand MARKET OPPORTUNITIES for their internationally certified forests.

		<p>small producers and the corresponding business plans.</p> <ul style="list-style-type: none"> • The design of one (1) municipal business services and land management center. • One (1) mechanism to the local development of the PSA in a micro watershed in Chiapas or Oaxaca. 	<p>in this program and initial steps were taken to develop business plans with them. These were put on hold at the communities' request because on-going diagnostic studies had not been completed by CRECE.</p> <p>A strategic business plan was started with the water users association, COTAS. Internal changes caused this work to be slowed but at year-end, the first draft of the strategic plan had been completed. In addition, agreement had been reached with three COTAS-member organizations to assist them with their business plans.</p> <p>Insufficient interest in this concept was found among the municipalities where IPRC was working during 2005. It will be reconsidered in 2006.</p> <p>It was decided to develop this mechanism in the watershed of Chiapas' Pacific Coast, combining this efforts with the livestock development explained in Activity 3 of Task 2 above. As noted there, this activity had to be suspended due to damage caused by Hurricane Stan and will be resumed in early 2006.</p>	<ul style="list-style-type: none"> ▪ Participated in the teaching of the FIRCO Diploma in Watershed Management (in conjunction with Task 5) that has recently graduated more than 50 professionals and generated 19 concrete project proposals. Moreover this has provided the basis for a solid relationship between the IPRC and FIRCO, paving the way for more field-level interaction in Year 2 (for example, the IMPLEMENTATION OF THE FIRCO MICRO-WATERSHED MODEL ON THE PACIFIC COAST OF CHIAPAS.)
Task 4	<p>Task 4 could be considered to be something of the "R&D" unit of the IPRC, where promising ideas, innovative thinking, and best practices will be captured, analyzed and disseminated, and promising initiatives are co-financed, thus expanding impact and strengthening the capacity of collaborating institutions.</p>	<ul style="list-style-type: none"> ▪ Establishment and operation of the Rural Prosperity Fund. 	<p>After extensive debate with the CO regarding Chemomics liability for Grants Under Contract(GUC), the issue was resolved and several drafts of the GRANTS MANUAL were reviewed by all parties. The MANUAL was approved on 8/3/05. Recruitment of a GRANTS MANAGER began immediately and was concluded successfully with the signing of his contract on 9/27/05. A Procedures Manual was written, grant selection criteria established, and the initial applications received. At year-end,</p>	<ul style="list-style-type: none"> • The GRANTS MANUAL was developed and signed off on the 3rd August 2005 and the Grants manager who will administer the RURAL PROSPERITY FUND was contracted on 27th September 2005, after a rigorous selection process. The intervening period has been used to develop an ILLUSTRATIVE LIST OF "PIPE-LINE" PROPOSALS, drawing on the first year's field-experience that can now be quickly developed to co-finance promising initiatives. • This fund was announced to the public by the U.S. Ambassador to Mexico in a gala ceremony at the Centro

	<p>Naturally this will develop in subsequent years as the IPRC field-level program gathers steam.</p>	<ul style="list-style-type: none"> ▪ One (1) high level conference regarding the supermarket phenomena in the national market and its implications in the rural sector. ▪ Establish operational relationships with SAGARPA in the areas of IPRC intervention. 	<p>applications from COTAS, A.C. and UCFAS were complete and awaiting final review by the technical committee.</p> <p>IPRC provided \$20,000 from its USAID budget in support to CNA ,Consejo Nacional Agropecuario, which collaborated with Michigan State U. in the presentation of the Foro Global Agroalimentario 2005 on June 9-10, 2005.</p> <p>IPRC support for, and participation in the FIRCO Diploma Courses represents a concrete example of such relationships. In all projects underway in Chiapas and Oaxaca, IPRC advisors have met with SAGARPA representatives to discuss common goals and interests. Closer relationships and collaboration with SAGARPA is expected in 2006 as USAID identifies its priorities in regard to this institution.</p>	<p>Cultural de Sto. Domingo in Oaxaca. The state governor and the Director of USAID also participated.</p> <ul style="list-style-type: none"> • Given the importance of agriculture, livestock and water management to the success of the IPRC, STRONGER INSTITUTIONAL RELATIONSHIPS with SAGARPA & its dependencies are important. In the first instance, the Cacao Study (mentioned in Task 2, above) has opened a concrete avenue for dialogue linked to the National System for Cacao. The study also provides a sound basis on which to promote AGREEMENTS BETWEEN PRODUCER GROUPS AND PRIVATE SECTOR BUYERS. • Actively exploring practical opportunities to address the principal recommendations arising from the USAID-sponsored Supermarket Conference within the 2005/06 work program. • This conference analyzed international trends in the marketing of fruits and other fresh produce through supermarket channels. This conference drew attention to the issue in Mexico and helped raise USAID's profile within SAGARPA and the agricultural sector.
Task 5	<p>This task is designed to ensure that key approaches and activities (for example, gender, communication, etc.) are mainstreamed into IPRC activities, avoiding the</p>	<ul style="list-style-type: none"> ▪ Training Programs defined. ▪ Better capacity in the environmental management to strength 	<p>IPRC participated in the design and implementation of several training programs as part of Tasks 1 – 4. The most outstanding examples are the FIRCO Diploma Course (see Task 3, bullet 2); Ecotourism Training Circuit Course; the CECADESU Ecotourism</p>	<ul style="list-style-type: none"> ▪ Rapid yet thorough development of the FIRST YEAR WORK PLAN, via a participatory process involving USAID PMA & key partners that commenced an on-going process of strategic thinking among the team. ▪ On-going development of a PERFORMANCE

	<p>tendency to isolate them in individuals or units. Work in 2005 has concentrated in putting the basics in place.</p>	<p>the competitiveness of the productive chains.</p> <ul style="list-style-type: none"> ▪ Strengthen communication inside the PMA and to the external collaborators, and an IPRC communication strategy carried out. ▪ An inclusive strategy (gender, youth people, and marginal groups) integrated into the IPRC activities. ▪ The PMP of the Environmental Program finalized and a monitoring and evaluation system for the IPRC in implementation. 	<p>diploma course; The Fifth Annual Community Ecotourism Conference (see Task 1, bullet 4)</p> <p>IPRC communication strategy developed and in use. Recommendations to PMA for improved communications with partners.</p> <p>Gender consultancy set IPRC policy for gender-inclusive strategy, established procedures for insuring consideration of women and youth in all IPRC projects, and provided valuable guidance on how, in practice, to include greater participation by women in all IPRC projects.</p> <p>IPRC was represented in all PMA meetings and actively contributed to design of PMP for the PMA. Draft components of the PMP submitted. IPRC monitoring and evaluation system designed by consultant in early 2005. The basic data base was designed using FileMaker data base program and a monthly report system was established and implemented drawing data and info from this data base. Delays in key upgrades to the IPRC computer system have slowed the implementation of our M&E system to its full capacity. With these obstacles behind us, we will move quickly to add all the features that will greatly enrich our ability to report and analyze our progress.</p>	<p>MONITORING PLAN (PMP) & associated M&E SYSTEM to track performance and provide an internal platform to manage a significant quantity of information in a timely fashion (for example, this generates the monthly reports on activities and contacts for the CTO.)</p> <ul style="list-style-type: none"> ▪ Design & implementation of a FIRST YEAR COMMUNICATION STRATEGY that supported the effective early positioning of the IPRC with a wide range of stakeholders. ▪ Completion of a GENDER CONSULTANCY to ensure the inclusion of gender considerations in all IPRC activities.
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SECTION II

A closer look at the tasks

This section looks in more detail at each of the main task areas, as well as the administration and finance functions. The objective is to outline and explain the progress of the IPRC to date; in particular the main challenges and achievements.

With a view to move towards a clearer understanding of the overall structure of the project, each task is prefaced by summary information on: (i) the main intervention level, (ii) its principal stakeholder focus and (iii) the expected result of the task at project close.

1. Task 1 - Improvement of the national context for enhancing environmental protection and conservation

1.1. Intervention level National

1.2. Focus GOM policy-level work groups

1.3. Expected result at project close Improved capability of government officials and institutions to define and implement effective policies and programs (principally SEMARNAT)

1.4. Progress to date

Policy work is something of an enigma in most development projects – everybody officially acknowledges its importance yet it is often difficult to explain in layman’s terms just what it is or what it does. Recognizing the dangers of this, the IPRC and the USAID Environment Team have worked hard in Year 1 to make concrete its work in this area, and has focused on:

1.4.1. Establishing working structures to implement the MOU

Ensuring that the MOU signed between USAID and SEMARNAT is translated into tangible structures (work groups) that provide mechanisms for dialogue and the definition of priority areas/themes. This has not always been easy and has required patience on all sides. To date, work groups have been established with CONANP (protected areas), CONAFOR (forestry) and PROFEPA (environmental protection.)

1.4.2. Raising awareness of the MOU, its mechanisms of cooperation & the work of the PMA under the guidance of the USAID Environment Team

Providing all three groups with a thorough orientation in both the cooperation mechanisms established under the MOU and the procedures for the formulation and presentation of projects. In addition, all of the projects that make up the PMA are now explicitly recognized within the work plans of CONANP, CONAFOR and PROFEPA, thus promoting greater synergy between different stakeholders operating in the same areas (e.g. GOM, NGOs and local economic organizations.)

1.4.3. Developing plans and operating procedures

Guaranteeing that these groups develop into more than simple “talk shops,” the IPRC Task Leader has worked closely with her government counterparts and the USAID PMA Natural Resources Advisor to develop work plans (WP) for all three groups. In the case of CONANP this has progressed to signing off on operational guidelines, while both CONANP and PROFEPA have already begun to implement their WPs.

1.4.4. Identifying themes & targeting resources

Within the context of priority areas addressed by the different WPs, initiating a program of consultancies that provides the GOM with access to specialized personnel, working to well-defined terms of reference to guarantee relevance and control quality. Unsurprisingly the identification of priorities has not always been easy and this has on occasion delayed the development of the TORs for the consultancies, which to date include the following:

- Providing training inputs to the CECADESU-SEMARNAT diploma in ecotourism (ongoing)
- The participation in, and strengthening of the CONANP training circuits in ecotourism (ongoing)
- The development of a tourism strategy for CONANP’s Office of Tourism (pre-TOR stage)

- Support to CONANP consultancy and workshop on evaluation of environmental services, specifically the methodology of setting value on “carbon bonds” to be sold in early 2006(TOR in draft)
- A guide to public resources for the development of enterprise-orientated projects in national protected areas (TOR developed and approved, consultant to be hired in October)

These areas will be expanded in accord with emerging priorities as the IPRC develops.

1.4.5. Developing human & institutional capital

IPRC staff and consultants contributed to the successful implementation of the above mentioned training activities related to ecotourism (see 1.4.4.) In addition, the IPRC supported an interchange among, local, regional and national officials in natural resources management; this built upon the successful ecotourism consultancy undertaken earlier by the IPRC. These initial activities paved the way for the IPRC’s participation in the Inter-institutional Ecotourism group, establishing its credibility as an important resource in ecotourism; a high potential growth area in Mexico and a strong economic diversification option for many rural communities in (or near) protected areas (see for example IPRC’s work in the Monarch Butterfly Reserve in Michoacán and with communities and tourism operators in Chiapas.)

1.4.6. Strengthening links between Grupo Cuencas and the GOM for improved policy dialogue & analysis

The IPRC has made all work groups aware of an ongoing series of studies formulated by the *Grupo Cuencas* (a USAID financed initiative involving seven institutions working in watershed management in Mexico) as well as its procedures for presenting projects, and in the same vein has presented to the *Grupo Cuencas* the results of an important consultancy undertaken in the area of sustainable silviculture by the *Consejo Civil Mexicano* as part of the analysis relating to the National Water Law. This is designed to create a more effective communication channel between the *Grupo Cuencas* and SEMARNAT to better hone the relevance and applicability of the studies developed on the one hand, and to improve the participation of the *Grupo* (and its partners) in the formulation of environmental policy on the other.

1.4.7. Facilitating greater interaction between SEMARNAT & SAGARPA

In the same vein, although SEMARNAT is the main institutional counterpart at present, the productive focus of the project (in conjunction with some important water use aspects) places a premium on both developing stronger institutional links with SAGARPA and exploring concrete ways in which dependencies of both Secretariats can work more closely together. The IPRC has made progress towards this at two levels: (i) at a national level, via the stimulation of constructive dialogue around sustainable rural development – an area that by definition has to involve both entities, and (ii) at a local and regional level by involving both SEMARNAT and SAGARPA representatives in activities undertaken within Tasks 2 and 3 (an example of this is the work with livestock producers in Chiapas.) This two-way flow of information, ideas and experience (from national to local and *vice versa*) is critical to improving the relevance and applicability of policy.

1.5. Conclusions

Overall, the sum of these activities (supported wherever possible by participation in events such as the World Bank–CONAFOR sponsored seminar on PSA) has enabled the IPRC to establish credibility with GOM institutions as one of USAID’s key vehicles for delivering its program. This in turn has supported the positioning of USAID as an effective partner to the GOM (principally via the provision of high-quality technical assistance) which is critical to positively influencing environmental policy in Mexico.

2. Task 2 - Identification of best practices for conservation & economic development

2.1. Intervention level Site-specific

2.2. Focus Individual business units (e.g. small private tourism operators) and producer associations (known by their Spanish acronym as OECs)

2.3. Expected result at project close Expansion of business activity that generates real economic growth and improved rural well-being (i.e. investment, income, and jobs) and is consistent with good environmental/conservation practice

2.4. Progress to date

The bulk of the production and business development activities occur under this task and have required a large amount of “leg-work” in visiting areas, meeting stakeholders, discussing actual performance and future plans and generally developing a good feel for opportunities. This has required significant investment of time on the part of the Agribusiness and Marketing Advisor given the wide geographic dispersion of activities, and also solid coordination with the Advisor leading Task 3 to ensure that wherever possible site-specific activities are scaled-up to a broader level. In the first year the work has focused on:

2.4.1. Forging a strong relationship with COTAS in the Central Valleys of Oaxaca

COTAS is the Groundwater Technical Committee working in Oaxaca’s Central Valleys. Despite its name, which implies a narrow technical focus to its work, COTAS has assumed a broader, semi-governmental role, in the promotion of sensible water-use by communities, municipalities and agricultural producers (typically the heaviest water users.) This has ranged from general awareness raising activities to more specific efforts to promote the shift from traditional forms of water use (typically flood irrigation) to more efficient forms of irrigation (sprinkler and drip.) This has been accompanied by complementary changes in technology, for example the expansion of protected agriculture (i.e. greenhouses), and the switch to alternative crops (e.g. from maize to tomatoes). These activities have been undertaken with Mexican institutions such as the Secretariat for Rural Development (SEDER) of Oaxaca and have involved earlier USAID funding (managed by PA consulting.)

This expanding role has increased the professional demands on the organization, particularly in the areas of training and technical assistance. Additionally it is requiring a stronger focus on the market to ensure that important investments in technology and new crops translate into higher producer incomes. The shift into tomatoes for example, while providing significant short-term income benefits for Oaxacan producer associations, threatens to push the limits of the local market in the medium-term (as production expands some ten-fold) and depress prices. In order to support this new role for COTAS, the IPRC has assumed management from PA Consulting, and has undertaken two preparative workshops with COTAS staff in anticipation of the implementation of the first IPRC sub-contract and subsequent grant agreement. The objective is to strengthen both business and operational skills and ultimately to positively impact producer income.

2.4.2. Identification of constraints & opportunities facing the Mexican cacao sector

The IPRC undertook a major study of the Mexican cacao sector that identified several key constraints and opportunities. While issues such as government pricing policy remain outside the scope of the program, the study provided the basis for identifying two immediate opportunities for IPRC intervention: (i) via the identification and brokering of new commercial opportunities for Mexican producers in the high-potential/growth specialty cacao market, beginning with the

participation in the World Cacao Foundation meeting in Washington DC in October, and (ii) the development of a work program with higher-potential, small cacao producers to raise quality and permit them to take fuller advantage of emerging market opportunities. Implementation will begin late this year and early next.

2.4.3. Working with Mexican coffee producers in Chiapas & Oaxaca

With the decline in international coffee prices, Mexico (like a plethora of other developing countries) has identified the specialty coffee market as the most viable survival strategy for its smaller coffee producers. This has the additional advantage of promoting environmentally sound agricultural practices (coffee grown under a variety of tree species) in priority conservation areas. While specialty coffee does indeed offer genuine opportunities for income growth and economic development for many rural communities, it is by no means a panacea – competition is fierce and growing, quality demands high, and management practices (particularly those that respond to international certification regimes) more demanding than most producers have ever had to deal with. As prices have risen significantly in the last couple of years, the challenge to maintain higher levels of quality and put in place adequate management practices is even greater.

In this context, the IPRC has spent a good part of the year working with a large number of coffee stakeholders. These have included traditional PMA partners (CI and TNC in particular) where IPRC staff has identified opportunities to add-value to their ongoing projects, but has increasingly focused on forging new links with national organizations such as Majomut and CEPCO. This latter organization, for example, represents 37 producer associations and over 15,000 small coffee producers, and provides the chance for the IPRC to significantly multiply the benefits of its interventions. In all cases the IPRC will focus on improving production and business practices, to enhance product quality and increase revenue.

These concrete interventions are supported by activities that increase the exposure of the Mexican coffee sector to the realities and opportunities of the international specialty coffee market; a strategy that has reaped benefits in other USAID initiatives managed by the contractor. This year's Ramacafé international coffee event provided such an opportunity, and the IPRC took eight representatives from different parts of the coffee value chain in Chiapas and Oaxaca to Nicaragua in September 2005. Wherever possible, the IPRC will identify new buyers for Mexican coffee and broker commercial agreements. This began with the IPRC participation in the Specialty Coffee Association of America (SCAA) meeting in Seattle in April 2005 and will continue of the life of the initiative.

2.4.4. Building tourism capacity in Lacandona, Chiapas

Tourism in Mexico is a sector that continues to show very solid income and growth potential. Nature-based or ecotourism, as in other parts of the world, creates opportunities to support rural development at the same time as generating the incentives necessary to protect biodiversity. This is particularly critical in more isolated parts of the countries such as Lacandona, where important conservation sites sit alongside impoverished communities. Many projects and government programs have supported tourism development over the years, but the focus has traditionally been on infrastructure. While this is critical to attract and retain tourists, it is clearly only part of the solution.

The IPRC strategy has thus been to focus on building much-needed human and entrepreneurial capital to support historical investments in physical capital, as well as improving the quality of tourism services offered in the Lacandona. To this end, the IPRC has begun work with a large group of communities and small, private-sector tourism operators (for example, Latitud 16 and Explora) to

establish the platform upon which important Year 2 initiatives, such as establishing a reservation and information centre in the Lacandona, will be built.

2.4.5. Expanding market opportunities for livestock producers in Chiapas

Livestock production is a key element of rural production systems in Chiapas. At the same time, extensive cattle grazing is one of the principal causes of land degradation. Both CI and TNC are working with producers to promote more intensive systems of livestock management. While these can significantly reduce the negative pressure on watersheds and raise productivity, they are more costly to producers than traditional systems based on extensive grazing, and are unlikely to be more widely adopted unless improved management systems translate to higher incomes. To address both of these issues in parallel, the IPRC will work with CI and TNC producer groups in order to: (i) extend teaching on improved livestock management practices, and (ii) connect these same producers to new, more profitable markets, for example niche markets for cheeses. These activities will start late this year and continue throughout 2006.

2.4.6. Investigating the potential of agricultural systems in Chimalapas

The Chimalapas region is one of the poorest areas in which the IPRC operates, and at the same time one of the most challenging in social, institutional and political terms. The IPRC has made more significant inroads in Chimalapas than was originally expected, largely due to its skillful insertion in the process of regional planning (see Task 3 below.) Continuing to consolidate its presence in the region as a serious new development initiative, IPRC staff has initiated two production-related activities. Firstly the IPRC Natural Resource Management Advisor delivered a week-long seminar to seventy women to launch a new program of “backyard” agriculture, beginning with horticulture and then adding fruit trees and small livestock as the projects develop. This will positively impact the livelihood status of a large number of marginal families at the same time as establishing the credibility of the IPRC. Secondly, the IPRC has just fielded an experienced consultant to identify promising products for commercial development in the forestry and agricultural sectors. Follow-on will be provided as the IPRC moves into the second year of operations.

2.5 Conclusions

Everywhere in the world, successful business depends on establishing trust and confidence between different parties involved in any transaction. Mexico is no exception and the IPRC has sensibly invested time and resources in its first year in getting to know the terrain and the different actors involved. With this platform established, a number of concrete activities underway and a growing list of potential partners, staff feels confident of rapidly gearing-up activities in Year 2.

3. Task 3 - Strengthening community based natural resources and watershed management

3.1. Intervention level Regional

3.2. Focus Second tier production groups, and government and community organizations (municipalities, watershed management committees, etc.)

3.3. Expected result at project close Broader economic and environmental impact through scaling-up (more producers involved via second tier groups) and scaling-out (more land area under improved management.)

3.4. Progress to date

Of all the task areas of the IPRC, Task 3 is perhaps the one where diplomacy and sensitivity to a wide variety of stakeholder perspectives is most critical. With the success of Task 3, the impact of IPRC activities (principally undertaken in Task 2) is significantly broadened, and production and business development goals more effectively integrated with conservation and environmental management via the implementation of regional development plans, forestry management plans, watershed plans and the like. In Year 1 the work has focused on:

3.4.1. Forest Management in Chimalapas, Oaxaca

Given the complexities of the Chimalapas context, it was envisaged that activities in Year 1 would be restricted to a gentle introduction, identifying opportunities to move forward in the second year. However, owing to the successful involvement of the Natural Resources Management Advisor in activities related to the development of the Regional Development Master Plan (a broad participatory process that brings together many stakeholders, including two municipal authorities) an opportunity emerged to directly support the implementation of the first Forest Management Plan in Chimalapas. While much is still to do to create the necessary conditions for success, IPRC staff is enthusiastic about its initial involvement and will be prioritizing this effort in Year 2.

3.4.2. Tourism planning in the Monarch Butterfly Reserve, Michoacán

The Monarch Butterfly Reserve is one of the highest-profile conservation sites in Mexico. This has in great part accounted for its somewhat troubled history, with a plethora of organizations implementing a wide variety of activities in an uncoordinated manner. In the area of conservation tourism, it is evident to all players that progress will be difficult until the coordination issue is addressed, and to that end the IPRC is supporting a broad group of stakeholders (including GOM federal and state entities, WWF and Telcel and Daimler-Chrysler, Mexico) in the development of a tourism master plan. Work will continue in subsequent years to facilitate the development of a tourism cluster, but in the first instance has begun with the agreement to carry out the Municipal Ecotourism Master Plan and a series of participatory evaluations of economic activities in the principle ejidos of Angangueo.

3.4.3. Forest enterprise development in the Sierra Norte, Oaxaca

Community forestry development is one of the most promising options for establishing tangible links between sensible conservation and management on the one hand, and income and employment generation on the other. The IPRC has negotiated in close collaboration with Rainforest Alliance (and with the approval of the relevant Assemblies) the development of business plans with the forest communities of: San Pedro el Alto, Santiago Comaltepec, Xiacui, Calpulalpam, and Ixtlán de Juárez. These plans will draw important lessons from the leading community forest and wood products development program in the region, The Forestry and Agricultural Services Union (UCFAS) of Ixtlan de Juarez. While using UCFAS as a model for less advanced communities, IPRC will further support UCFAS in its development of wood drying and manufacturing facilities

with highly specialized technical assistance and sharply focused financial support through the Rural Prosperity Fund (see 4.4.1) The IPRC will work closely with Rainforest Alliance on all these activities in the Sierra Norte.

3.4.4. Human resource development in watershed management

Like many other parts of Latin America, watershed management in Mexico is seen as a participatory planning mechanism with the potential to bring together competing stakeholder interests in a defined geographic area to positively impact the quality, quantity and distribution of its water resources. At the micro-watershed level, FIRCO has developed a management model that has been implemented with varying degrees of success in many parts of Mexico. At its most basic, successful expansion of the model requires capable technical staff to support communities and local government authorities in its application.

To this end, IPRC Advisors have supported FIRCO in the development of its watershed management diploma, taking specific responsibility for the design and teaching of the “Project Formulation, Evaluation and Management” module, and providing guidance to the productive projects that are generated by students. IPRC involvement in two diploma courses has contributed to the graduation of more than fifty watershed professionals and the development of 19 projects. The IPRC will use this experience as the basis to implement the FIRCO model in selected micro-watersheds on the pacific coast of Chiapas, closely integrated to the value chains which it will develop (principally coffee, cacao and livestock.)

3.5. Conclusions

Given the significant time and effort involved in the work undertaken in Task 3, it was decided to focus activities in a smaller number of thematic areas than that originally envisaged; much of the anticipated activity in the area of PSA and watersheds, for example, has been postponed until next year. While reducing the overall scope of 2005 activities, this was critical to building confidence and establishing the IPRC as an initiative to be taken seriously (and avoiding spreading itself too thinly.) At the same time, it was considered important to retain the flexibility to develop high-potential opportunities not originally included in the work plan; the work in Chimalapas is a good example of this.

4. Task 4 - Expanding cooperation with the Government of Mexico to foster sustainable rural prosperity

4.1. Intervention level Institutional

4.2. Focus Government of Mexico entities

4.3. Expected result at project close More capable organizations via the “institutionalization” of lessons learned, best practices, opportunities for enhanced cooperation, the development of new commercial relationships, and the financing of promising initiatives.

4.4. Progress to date

Task 4 can be considered something of the research and development (R&D) arm of the IPRC, where promising experiences and best practice are fostered, captured and disseminated, thus creating stronger institutions; principally GOM entities, and particularly SAGARPA. In Year 1 the focus of the work has been on:

4.4.1. Setting up the Rural Prosperity Fund

The Rural Prosperity Fund is the principal IPRC mechanism for co-financing promising initiatives arising from its work program, principally in Tasks 2 and 3. The total value of the fund is US\$ 1 million and this will be used to finance individual projects from between US\$ 5,000 to 25,000. In all cases, counterpart funding from beneficiaries will be secured and wherever possible the Fund’s resources will be used to leverage additional resources from government programs, other projects, and the private sector. Establishing the fund has required the completion of three key activities:

- The signing of the Grants under Contract Authority memorandum dated 29th April 2005.
- The development and approval by USAID of a Grants Manual that clearly outlines the procedural guidelines that govern the management of the Fund – signed off on 3rd August 2005.
- The hiring of a qualified Grants Manager/Financial Analyst to administer the Fund, working closely with IPRC colleagues to guarantee compliance with USAID procedures and the guidelines established in the Grants Manual. The Grants Manager was hired on 27th September 2005 and is now working out of the Oaxaca office.

In addition, IPRC Advisors have identified an initial list of approximately ten promising projects to present to the Grants Technical Review Committee – an evaluation group comprising two representatives from both USAID and the IPRC – for funding. This bodes well for a busy 2006.

4.4.2. Building stronger ties with SAGARPA

The main GOM counterpart for the IPRC is SEMARNAT and a good deal of effort has been invested in this first year into making operational the MOU it signed with USAID. At the same time, the strong production/business and water-use/management focus to much of the IPRC’s work (which falls outside the responsibility of SEMARNAT) dictates that developing stronger links with SAGARPA is important. This has begun to happen at two levels: (i) the Cacao Study (referred in Task 2) has opened a concrete avenue for policy-level dialogue linked to IPRC participation in the meetings of the National System for Cacao, and (ii) wherever possible, IPRC field-level activities have involve SAGARPA representatives at the local or regional levels. This will continue in Year 2.

4.4.3. Generating additional value from the supermarket conference

Using USAID funds, IPRC supported this conference also sponsored by Consejo Nacional Agropecuario, ASERCA (Apoyos y Servicios a la Comercializacion Agropecuaria), and organized

by Michigan State University. It analyzed implications for small producers arising from the concentration of markets by a smaller number of supermarkets. IPRC staff, cognizant of the conclusions of the conference, has attempted to address a number of these issues in the design of the work program (particularly related to Task 2.) The recently developed TOR to support a study of horticultural markets in Oaxaca, for example, is a direct response to concerns of over-supply.

4.5. Conclusions

Task 4 has commenced well, particularly in establishing the basis for the successful operation of the Rural Prosperity Fund. This task area will continue to grow, building upon the natural momentum of IPRC activities in other areas.

5. Task 5 - Crosscutting themes

5.1. Progress to date

Task 5 is something of a “catch-all” area for a number of themes that cross-cut the main operational tasks outlined above. This includes training, environmental impact, communications and the promotion of an inclusion strategy to guarantee the involvement of young people, marginalized populations, and the full participation of both men and women. In addition the monitoring and evaluation of the IPRC falls under this task. Key aspects of the work in Year 1 have been:

5.1.1. Development & approval of a first year work plan

The IPRC, under the leadership of the interim COP, worked hard to develop a first year work plan to guide early activities. This was discussed and fine-tuned with the USAID PMA team in a two-day workshop between 18th and 19th November 2004. The exercise was important not only to provide a basic outline for the development of the work program, but also to establish a close working relationship between the IPRC and USAID teams from project inception. This has continued during the course of the first year, with frequent contact between IPRC Advisors and their USAID counterparts and will continue to define the client-contractor relationship as the IPRC matures.

5.1.2. Development & implementation of a communication strategy for the IPRC

The early communication challenge for the IPRC was significant, not only since it was conceived as a “value-added” activity to an on-going program rather than an independent program in its own right, but also since a paucity of information on what the IPRC was and how it intended to operate created a certain skepticism on the part of other PMA partners. The communication strategy addressed both of these issues via a simple plan to effectively position the IPRC as a serious and committed initiative with the capacity to offer something new and complementary to the PMA.

Over the year this was developed and refined by the team (including an important exercise to define the IPRC mission-vision more clearly) and has been represented in a variety of products (business cards, brochures, presentations, etc.) that both project this professional image and are compliant with USAID’s branding strategy. A priority for the IPRC will be to “beef-up” its communications strategy in Year 2, more quickly and effectively identifying and exploiting opportunities to position the PMA and to communicate the impact of the IPRC. The successful and widely-publicized visit of the US Ambassador to the IPRC on 16th June 2005 provides one obvious example that merits replication.

5.1.3. Support to training initiatives in other task areas

Training activities in Year 1 have become both an important exercise in their own right and also a valuable entry point for the IPRC to build professional relationships with a variety of institutions and stakeholders. The details of the individual training activities are described above under Tasks 1 to 3; they have been important in effectively positioning the IPRC with institutions such as CONANP and FIRCO and will pave the way for more concrete activities in these areas.

5.1.4. Development of initiatives to foster gender balance

A consultancy was undertaken between 6th to the 26th April 2005 to develop a strategy for the IPRC, to guarantee the effective integration of gender considerations in all of its activities, beginning with each of the Advisors 2005 work plans. In the short term, this has been reflected in a conscious effort to integrate gender considerations into the SOWs of consultants employed by the IPRC. It is expected that the impact will be more visible over the coming year once field-level activities expand. At an institutional level, the Policy Reform Advisor has been tasked to spearhead the

implementation of the gender strategy, and it is important that this is not lost sight of as the IPRC begins Year 2 activities.

5.1.5. Design and approval of a Performance Monitoring Plan for USAID/PMA & ongoing development of a practical M&E system for the IPRC

The IPRC commissioned a consultancy to work with USAID to finalize the results framework and associated indicators for the PMA, as well as designing a monitoring and evaluation (M&E) system for the IPRC, which captures performance against contractual deliverables and links IPRC outputs to the broader Performance Monitoring Plan (PMP) for the PMA. A preliminary report was delivered on the 29th October 2004 and updated at the end of January 2005, following a workshop with representatives from the PMA (USAID, NGOs and contractors) that took place between 12th and 13th January 2005. Although providing a solid basis for moving forward, and supported by an internal management information system that was developed in the first semester, the IPRC has made only modest progress in the second part of the year in translating this into a robust yet simple methodology for establishing the baselines and capturing subsequent information. With the commencement of significantly greater levels of field-level activity this is earmarked as a priority for the IPRC in the coming weeks.

5.2. Conclusions

The IPRC has worked to address a number of often-complex crosscutting themes in order to ensure that the basics are in place in Year 1. This has been achieved, however as the Project gears-up for the second year of operation it is important that adequate attention continues to be given to these themes to ensure that they do not “fall through the cracks” against a weight of competing activities. The highest short-term priority will be given to making operational the M&E system that will underpin performance monitoring and reporting, with a particular focus on capturing information on sales, income and new areas under improved management.

6. Administration and finance

6.1. Progress to date

In large, complex projects like the IPRC, well-functioning and adequately applied administration and finance systems are critical to underpinning solid performance in the field. These systems have to ensure two things: (i) complete compliance with USAID rules and regulations, and (ii) agility in responding to the day-to-day demands of implementing the IPRC. The contractor has justifiably developed an industry-wide reputation for its capacity in this area, and has brought this experience to bear in the IPRC. Yet at the same time, the best generic systems in the world have to deal with differing local realities and have to be implemented by staff that is for the most part unaccustomed to USAID systems. One of the biggest challenges in Year 1 has been to ensure that staff at all levels understand and apply systems.

6.1.1. Start-up

Rapid start-up, although desirable from the perspective of all parties, is a high-stress period for all concerned in which the completion of the “to do” list never seems to materialize! That said, the mobilization of the contractor’s three-person start-up team, the fielding of local staff, the organization of offices in both Oaxaca and Mexico City, and the purchase of critical equipment (vehicles, telephones, computers, etc.) although not completely without problems, established a solid logistical platform that enabled the IPRC to quickly open its doors to the public and begin developing and implementing the first year’s work program. Likewise, the transition from an interim to a permanent COP, although never without difficulties, was handled smoothly and professionally. Finally, the decision to establish the IPRC as a “civil association” (roughly equivalent to an NGO), allowing it to legally operate in Mexico was a worthwhile, yet laborious one, which was finally completed in August 2005.

6.1.2. Staffing & training

The location of the main IPRC office in Oaxaca, a less attractive option than Mexico City for most professionals with the profile originally sought by the IPRC (particularly relating to Spanish-English fluency and prior experience with USAID systems) complicated the recruitment of local administrative and finance staff. The hiring of a qualified accountant went ahead only after the English language criteria was dropped, and the post of Grants Manager/Financial Analyst was just filled on the 27th September after a rigorous recruitment process. This has meant that the PMU, particularly the Project Manager, has had to play a far bigger role in supporting in-country staff than would normally be expected.

6.1.3. Administrative & accounting systems

The contractor has put in place administrative and accounting systems used in its management of USAID projects across the globe. In parallel it has provided specialist home-office personnel to provide initial inductions for field-based staff, particularly in the use of accounting systems.

6.1.4. Finance

The financial performance of the IPRC in the first year of operation has largely reflected the anticipated spend-down over the principal expenditure categories. Over the lifetime of the project one would expect to see an expenditure of 27% of the total forty-four month budget per year, with a slightly slower pace in the first year and building momentum in years two to four before tailing off in the final months. Spending in the Year 1 represented 15% of total budget, of which the allocation under the “grants” category remains unspent until the Rural Prosperity Fund becomes operational in the next few weeks. Overall expenditure as of the 31st August 2005 is indicated in the table overleaf.

Table 2. IPRC budget summary

Item	Task Order Budget (\$)	Expenditure to date (\$)	Remaining Funds (\$)	Percentage spent (%)
Work days ordered	3,830,840	768,157	3,062,183	20
Other direct costs	3,166,558	433,101	2,733,457	14
Grants	1,000,000	unspent	1,000,000	Unspent
General & Administrative	208,328	21,377	186,951	10
Grand total	8,205,226	1,222,635	6,982,591	15

6.2. Conclusions

Although not without complications, the administration and financial management of the IPRC is well under control after the first year of operations. Systems are in place and functioning and there is sufficient flexibility to make on-going refinements as specific situations arise. An on-going challenge as the IPRC enters its second year is to continue to create awareness among staff that processes take time, are frequently onerous and always have to be planned well in advance. This goes beyond just administrative personnel, and by way of example, Technical Advisors are now becoming more used to investing more time in the preparation of TORs, which if inadequately developed will almost certainly be returned for revision at some point in the approval process. However, now that the basics are in place, the biggest challenge ahead is to use the foundation laid during these first twelve months as the springboard to the implementation of aggressive, impact generating development projects. Successful projects will remove obstacles, create successful, environmentally sustainable and economically viable models and help change the lives of the people in cooperating communities. .